Vintage Resource Corp.

1995 ANNUAL REPORT

Corporate Profile

Vintage Resource Corp. is a three-year-old emerging junior oil and gas exploration and development company with operations in the Western Canadian Sedimentary Basin. Our core properties, which are located in central and southern Alberta, provide a strong base with excellent opportunity for future growth. The depth of experience of our team members gives us the ability to take advantage of opportunities. Vintage Resource Corp. trades on the Alberta Stock Exchange under the symbol VRU.

Mission Statement

We will strive to create value for our shareholders through efficient, effective and environmentally-conscious exploitation and exploration of our oil and gas resources.

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Cover

Cover photograph taken by our director, George H. Funke, shows one of the Company's typical oil pump-jacks in the West Drumheller oil field.

FINANCIAL & OPERATING HIGHLIGHTS

Financial Highlights

Year ended September 30,	1995	1994	Change
Net Revenue	$ 5,024,987	$ 3,786,358	+ 32.7%
Net Revenue per Share	$ 0.390	$ 0.357	+ 9.2%
Operating Income	$ 3,014,823	$ 2,469,720	+ 22.0%
Operating Income per Share	$ 0.234	$ 0.233	+ 0.4%
Cash Flow From Operations	$ 2,410,548	$ 2,128,561	+ 13.3%
Cash Flow per Share	$ 0.187	$ 0.200	- 6.5%
Net Income	$ 443,969	$ 825,364	- 46.2%
Net Income per Share	$ 0.037	$ 0.078	- 57.7%

Operations Highlights

Year ended September 30,	1995	1994	Change
Average Daily Oil and NGL Production (BBLS)	431	271	+ 59.0%
Average Daily Natural Gas Production (MCF)	3,243	2,269	+ 42.9%
Total Average Daily Production (BOE)	755	498	+ 51.6%
Average Sale Price per BOE	$ 18.23	$ 20.81	- 12.4%
Average Cash Flow per BOE	$ 8.75	$ 11.70	- 25.2%
Average Operating Cost per BOE	$ 5.62	$ 5.83	- 3.6%
Average Netback per BOE	$ 10.94	$ 13.58	- 19.4%

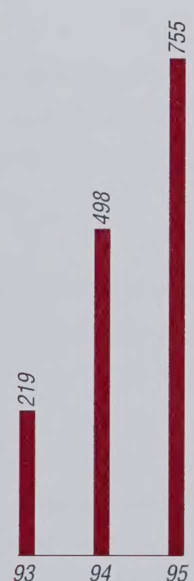
As of September 30,	1995	1994	Change
Daily Oil and NGL Production (BBLS)	736	374	+ 96.8%
Daily Natural Gas Production (MCF)	3,637	3,228	+ 12.7%
Total Daily Production (BOE)	1,100	697	+ 57.8%
Proven and Probable Oil & NGL Reserves (MBBLS)	1,763	1,322	+ 33.4%
Proven and Probable Natural Gas Reserves (MMCF)	14,880	12,370	+ 20.2%
Total Proven and Probable Reserves (MBOE)	3,250	2,559	+ 27.0%

Cash flow from operations

($000s)

Net revenue

($000 s)



Total average daily production

(BOE)

Despite the challenge of rock bottom natural gas prices, Vintage Resource Corp. is pleased to report continued growth for its third operating year. As a result of prudent management and a sound acquisition and development program, the Company achieved its first major production objective. However, financial results were lower than projected due primarily to the low natural gas prices in Alberta. Our fiscal year ended September 30, 1995 resulted in a number of achievements.

Operating Milestones

As of September 30, 1995 the Company achieved its goal of producing in excess of 1,000 barrels of oil equivalent per day (BOEPD), averaging 1,046 BOEPD during the last quarter of 1995. This represented an increase of 38.5 percent, with daily production of 681 barrels of oil per day (BOPD), representing 65 percent of daily barrels of oil equivalent production, and 3.65 million cubic feet (MMCF/D) of natural gas per day, representing 35 percent of daily barrels of oil equivalent production.

With the low natural gas prices, however, these production gains were not reflected proportionately on the income statement as natural gas contributed just 29 percent of the Company's production revenue. The average sale price and cash flow per barrel of oil equivalent fell 12.4 percent and 25.2 percent respectively from 1994 levels.

Despite these events, the Company managed to boost production revenue by 32.7 percent to $5,024,987 from the previous year's $3,786,358. Cash flow from operations grew 13.3 percent to $2,410,548 from 1994's $2,128,561. The netback on a per barrel of oil equivalent produced declined by $2.64 per barrel, with the result that our financial results fell short of our objectives by 20 percent. Vintage finished fiscal 1995 with net income of $443,969, compared to $825,364 a year earlier.

To offset cash flow shortfall resulting from the low natural gas prices, the Company completed a $500,000 equity financing in November 1995. As well, Vintage increased its bank credit line prior to year end to $7,900,000.

As of September 30, 1995

Production (BOEPD)

1995	1994	Change
1,100	697	+58%

Proven Reserves (MBOE)

1995	1994	Change
1,973	1,391	+42%

Present Value Discounted at 15%

1995	1994	Change
$20,610	$18,580	+11%

For 12 Months Ended September 30, 1995

Oil & Gas Revenue ($000)

1995	1994	Change
$5,025	$3,786	+32.7%

Cash Flow ($000)

1995	1994	Change
$2,411	$2,129	+13.3%

Net Income ($000)

1995	1994	Change
$444	$825	-46.2%

In addition, the low natural gas and oil prices used by the Company's independent evaluation engineers had a negative impact on proven reserves and their present discounted value. A sensitivity analysis based on prices used to evaluate reserves indicates that the lower prices used by evaluation engineers in 1995 versus 1994 reduced the Company's discount value of natural gas reserves by 25 percent and of oil reserves by 18 percent.

Notwithstanding these events, the Company increased its reserve base during the year by 42 percent and its present value by 11 percent. Proven crude oil reserves grew by 56.8 percent following acquisitions of additional producing oil interests at West Drumheller and Chigwell, Alberta along with development drilling and recompletion programs at West Drumheller. Proven natural gas reserves rose by 33 percent as a result of acquisitions at Castor, Crossfield and Ghost Pine, Alberta and infill drilling at Castor. Net present value of reserves discounted at 15 percent grew by $1,750,000 from $15,750,000 to $17,500,000 in 1995.

Industry Outlook

We believe that 1995 was the cyclical low for natural gas prices and that prices will recover, drawing more in line with an oil equivalent basis (ie. 10:1) during 1996. We are even more optimistic for improved natural gas prices in 1997 as fundamentals continue to improve.

Although US natural gas prices are relatively strong, Canadian gas prices have lagged badly, creating historically high differentials. A number of factors have contributed, including last year's mild winter, high deliverabilities resulting from aggressive drilling during 1993-94 and limited pipeline transportation capacity into US markets. The results - filled storage facilities and an oversupply in Alberta - are reflected in the current lower prices.

Several events, such as a prolonged cold winter along with steeper than anticipated declines in deliverability could initiate a quick turnaround. We are projecting firmer natural gas prices in 1996 in the order of $1.40 per MCF strengthening to $1.70 in 1997 as export pipeline capacity increases. On the oil side, we anticipate that prices will remain essentially flat at $18.00 US per barrel.

Strategy For Continued Growth

Pursuant to our corporate philosophy, Vintage will continue to grow through development and infill drilling on the Company's core properties. Cash flow derived from our current production will be used to develop our land base which we have been steadily expanding over the last year. We will continue to consolidate our interests and also to evaluate other potential acquisitions.

Vintage's strategy is to accelerate cash flow by placing its reserves on production quickly and efficiently. Concentrating our operations in Southern and Central Alberta, owning our infrastructure and operating our wells allows us to proceed year-round at our own pace and within our financial capability. This strategy has allowed us to achieve our first objective of 1,000 BOEPD in two and a half years.

The Company's next goal is to achieve oil equivalent production of 2,000 BOEPD, a level at which further economies of scale will have an impact, resulting in accelerated growth. We believe this next goal can be achieved by using our existing asset base and cash flow to fund acquisitions of additional production and lands for development.

In order that long term debt stays within the Company's mandate of one year's cash flow, we will commit a portion of our 1996 cash flow to debt reduction. Consistent with its corporate philosophy, Vintage will allocate 40 percent of its operating income in 1996 to reducing its debt to one year's cash flow. Another 40 percent is earmarked for capital expenditures, while the balance will be used for interest and general and administrative expenses. These measures, combined with anticipated higher 1996 production, will help strengthen our financial base to prepare for another significant acquisition.

A substantial portion of the Company's 1996 capital budget was spent at the end of the 1995 fiscal year, consequently our capital budget for 1996 is set at only $2,500,000. Over the two years 1995 and 1996, however, total capital budget expenditures will be $10,000,000. Approximately 50 percent of the budget is allocated to the acquisition of producing assets. The balance will be assigned to equipment, facilities, development drilling and recompletions. As the Company matures, a larger portion of its capital budget will be directed to exploration. Funding will be provided from our expanding cash flow and recently completed equity financing.

Our overriding philosophy is to redirect the majority of our operating income into capital expenditures which expand revenues, improve production efficiency and reduce costs. Our focus on reinvesting capital has already borne results, including increased production, expanded cash flow and reserves. The Company will continue efforts to restrict its general and administrative expenses and interest and financial expenses on a per barrel of oil equivalent produced.

1996 Targets

Vintage anticipates a stronger financial performance in 1996 and 1997. Cash flow in 1996 is forecast to approach $5,000,000 based on 1996 product pricing. Each $0.10 per MCF increase in the price of natural gas increases the Company's cash flow by $0.01 per share and each $1.00 per barrel increase in the price of crude oil adds $0.015 to the Company's per share cash flow. This combined with the Company's ongoing acquisition and exploitation programs gives us reason to proceed with optimism.

We wish to thank our Board of Directors for its guidance and suggestions, our staff for their consistent support and ideas and our shareholders for their interest and patience.

Lloyd D. Driscoll
President, Chairman and
Chief Executive Officer

George E. Paulus
Chief Financial Officer and
Secretary Treasurer

January 30,1996

Major Operating Areas

West Drumheller Area, Alberta

The West Drumheller oil pool has been one of the Company's core areas. Additional interests were acquired effective August 1995, with the area accounting for 675 BOPD and 443 MCF/D or 65 percent of the Company's daily BOE sales production. The Company operates its 100 percent working interest in 9 producing oil wells and central tank battery and its 50 percent working interest in 14 producing wells and central tank battery. In addition, it has a 15 percent working interest in 7 producing oil wells and tank battery and a 28 percent working interest in a 3.2 MMCF/D solution gas processing plant. Gas is marketed through Western Gas Marketing Limited while oil is marketed with Gibson Petroleum Company Limited, Direct Energy Marketing Limited and Northbridge Petroleum Marketing Limited. Production is from the Nisku and Leduc formations.

The Company has developed a program of recompletions and infill drilling for 1996 that will improve reserve drainage and increase daily production rates in the field. Vintage has an interest in 7,080 gross (1,563 net) acres of petroleum and natural gas rights, of which 6,413 gross (1,098 net) acres are undeveloped.

Castor Area, Alberta

Located in Central Alberta, Castor contributed 716 MCF/D or 6.5 percent of Vintage's daily BOE sales production as of September 30,1995. Gas is produced primarily from the Viking, Colony, Sparky, Bow Island, Basal Quartz and Hackett Sand, which have high deliverability and excellent reservoir characteristics. Currently, the Company has a 100 percent working interest in 8 producing gas wells and a 50 percent working interest in an additional 3 producing gas wells. A 100 percent working interest in a shut-in gas well was purchased during the year and was placed on production in December,1995. The Company has an interest in 12,993 gross (10,748 net) acres of petroleum and natural gas rights in the area, of which 6,263 gross (4,818 net) acres are undeveloped. Gas sales are contracted with Pan Alberta Gas Ltd.

Vintage's net sales from the area are expected to more than triple during 1996. Additional compression being installed in the area's processing facility will create additional capacity for the Company's wells. Our 100 percent interest in 40 kilometres of pipeline will generate additional revenue from gathering gas for other producers.

In November 1995, the Company drilled a multi-zone gas well adjacent to its pipeline. The well will be evaluated and is expected to be placed on production in 1996.

Figure Lake Area, Alberta

The Figure Lake area accounts for 945 MCF/D or 8.6 percent of the Company's daily BOE sales production as of September 30, 1995. The primary producing zones are the Colony, Viking, Wabiskaw, and Glauconite. The Company has a 100 percent working interest in a gathering system, compression facilities and three producing gas wells and a 50 percent working interest in an additional producing gas well. Gas is contracted to Pan Alberta Gas Ltd. The area has been identified as a core area and additional development lands and shut-in gas reserves were acquired during 1995, increasing the Company's total net interest in petroleum and natural gas rights in the area from 6,720 gross (5,040 net) acres to 13,280 gross (10,808 net) acres, of which 9,520 gross (7,328 net) acres are undeveloped. Development drilling and well tie-ins are planned for the area when gas prices improve in the latter part of 1996.

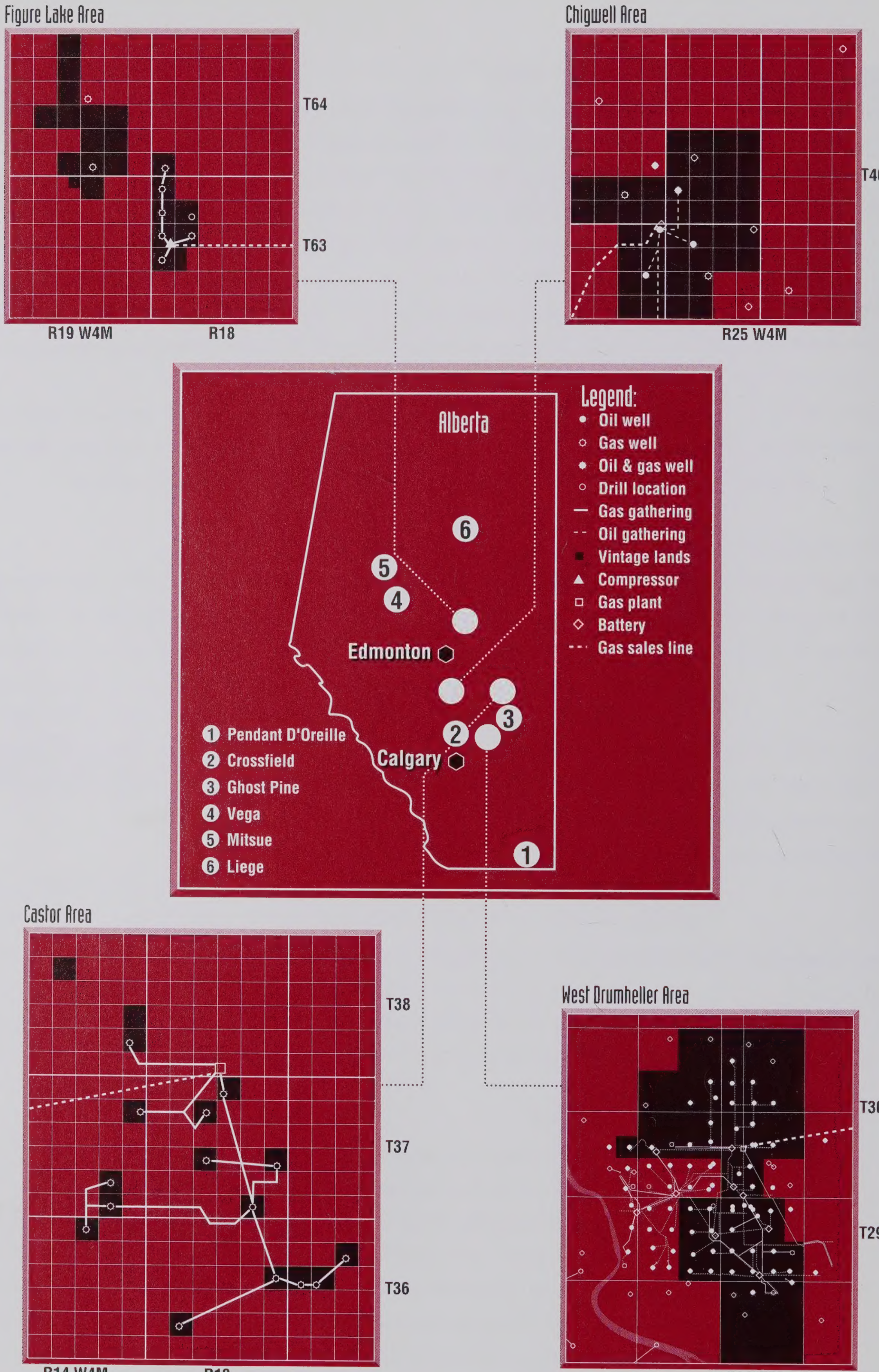


Figure Lake Area
T64
T63
R19 W4M
R18
Chigwell Area
T40
R25 W4M
Alberta
Legend:
Oil well
Gas well
Oil & gas well
Drill location
Gas gathering
Oil gathering
Vintage lands
Compressor
Gas plant
Battery
Gas sales line
Edmonton
Calgary
1 Pendant D'Oreille
2 Crossfield
3 Ghost Pine
4 Vega
5 Mitsue
6 Liege
Castor Area
T38
T37
T36
R14 W4M
R13
West Drumheller Area
T30
T29
R21 W4M

Chigwell Area, Alberta

The Company has an 85 percent working interest in 2 producing Nisku oil wells, 70 percent in a third producing oil well and an 80 percent interest in an oil battery in the Chigwell area. Production from the area contributes 43 BOPD and 77 MCF/D or 4.6 percent of the Company's daily BOE sales production as of September 30,1995. Also, the Company has an 85 percent interest in 2 shut-in Viking wells. Oil production is marketed by Gibson Petroleum Company and natural gas is marketed to Wascana Energy Inc. Petroleum and natural gas rights in the area total 1,608 gross (1,463 net) acres, of which 390 gross (323 net) acres are undeveloped. The Company is negotiating to acquire additional interests in the area.

Liege Area, Alberta

The Company has an average 30.4 percent working interest in 62,080 gross (18,860 net) acres of petroleum and natural gas rights in the Liege area of Northeast Alberta, which accounts for 810 MCF/D or 7.4 percent of the Company's daily BOE sales production as of September 30,1995. The primary producing zones are the Grosmont and Wabiskaw Sand. Currently, there are 9 (2.8 net) wells producing. The Company has a 33.3 percent interest in a processing plant with 10 MMCF/D capacity and 55 kilometres of gathering system.

In addition, the Company has a five percent gross overriding royalty in 7 producing Grosmont gas wells. These wells, which are producing into separate gathering and plant facilities, are located on 4,480 acres of land situated six miles east of the Liege property. Production from the area adds an additional 278 MCF/D or 2.5 percent of the Company's daily BOE sales production as of September 30,1995.

Land Holdings

Vintage concentrated on establishing an inventory of undeveloped land in its core areas during 1995. A large land portfolio allows us to pursue a continuous long-term exploitation program. The Company's land holdings are summarized in the following table:

(Acres)	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
1995	29,270	16,710	94,728	33,145	124,000	49,855

Drilling Activity

An ongoing drilling program is required to replace the Company's production and provide long-term growth in order to meet our next objectives. We have participated in the following drilling programs:

	Drilled		Completed Gas		Completed Oil		Abandoned	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
1993	5	1.25	1	0.15	2	0.60	2	0.50
1994	6	2.67	2	0.67	–	–	4	2.00
1995	11	6.15	3	1.67	4	3.15	4	1.33

As of September 30, 1995, the Company had interests in 37 gross (20.9 net) producing oil wells and 39 gross (19.2 net) producing gas wells.

Production Summary

The following tables summarize the Company's annual production and average daily production over the last year compared to the two previous years. Daily production as at September 30, 1995, 1994 and 1993 is summarized in the last table. All volumes are net of working interests owned by others and before deduction of Crown, freehold and other royalties.

Production

Year ended September 30,	1995	1994	1993
Annual			
Crude Oil (BBLS)	150,890	96,401	10,368
Natural Gas (MCF)	1,183,723	828,232	229,213
Natural Gas Liquids (BBLS)	6,353	2,702	158
Average Daily			
Crude Oil (BBLS)	414	264	68
Natural Gas (MCF)	3,243	2,269	1,498
Natural Gas Liquids (BBLS)	17	7	1

Daily Production

As at September 30,	1995	1994	1993
Current Daily			
Crude Oil (BBLS)	696	365	115
Natural Gas (MCF)	3,637	3,228	1,600
Natural Gas Liquids (BBLS)	40	9	3

Reserves

Vintage's reserves of oil and natural gas have been evaluated as of October 1, 1995 by Gilbert Laustsen Jung Associates Ltd. and Paddock Lindstrom & Associates Ltd. (Evaluation Reports). These evaluations cover 95 percent of reserves on current producing properties. Reserves on non-producing properties were evaluated by Vintage and incorporated into this report.

The Company's reserves of oil, natural gas liquids and natural gas are stated prior to any provision for royalties. Probable reserves have not been reduced to allow for risk. A summary of proven and probable reserves from the Evaluation Reports follows.

Oil & Natural Gas Liquids (MBBLS)	1995	1994	1993
as of October 1			
Proven Producing	584.6	432.3	384.3
Proven Non-Producing	320.2	154.9	166.4
Probable	858.2	734.4	849.3
Total	1,763.0	1,321.6	1,400.0
Reserve Life Index (Years)*	7.0	10.2	31.8

Natural Gas (BCF)	1995	1994	1993
as of October 1			
Proven Producing	6.04	4.44	2.41
Proven Non-Producing	4.64	3.60	0.93
Probable	4.20	4.33	0.79
Total	14.88	12.37	4.13
Reserve Life Index (Years)*	11.0	11.9	7.1

* Based on annualized fourth quarter production.

Reserve Reconciliation

The Company's proven reserves increased by 41.8 percent on a total BOE basis (581.6 MBOE) over year end September 30, 1994 levels. The following table summarizes the year-over-year reserve changes by category.

	Crude Oil and NGL (MBBL)	Natural Gas (MMCF)	Total (MBOE)
Beginning Year, October 1, 1994			
Proven Reserves	587.2	8,040	1,391.2
Net Production	(157.3)	(1,184)	(275.7)
Additions	474.9	3,824	857.3
Year End, September 30, 1995			
Proven Reserves	904.8	10,680	1,972.8

Future Net Revenue

The evaluation of future net production revenue is stated prior to any provision for income taxes, overhead and interest costs. It should not be assumed that the discounted net production revenue is representative of fair market value of the estimated oil and gas reserves. The following tables summarize the Evaluation Reports.

	Reserves (Before Royalties)		Discounted Value of Estimated Future Net Revenue $ Millions (except per share values)			
	Crude Oil and NGLs (MBBLS)	Natural Gas (BCF)	0%	10%	15%	20%
Proven Producing	584.6	6.04	$ 13.74	$ 10.41	$ 9.38	$ 8.58
Proven Non-Producing	320.2	4.64	$ 10.08	$ 6.16	$ 5.00	$ 4.13
Total Proven	904.8	10.68	$ 23.82	$ 16.57	$ 14.38	$ 12.71
Probable (+)	429.1	2.10	$ 6.05	$ 3.76	$ 3.12	$ 2.65
Total	1,333.9	12.78	$ 29.87	$ 20.33	$ 17.50	$ 15.36
Per Share (x)	0.103 BBLS	1.00 MCF	$ 2.32	$ 1.58	$ 1.36	$ 1.19
Per Share (Fully diluted)	0.095 BBLS	0.92 MCF	$ 2.13	$ 1.45	$ 1.25	$ 1.10

+ Probable reserves have been risk adjusted by 50 percent.
x Based on weighted average number of shares outstanding during the year.

The estimate of future net revenues is based on the following price forecast:

	Crude oil Edmonton Light Sweet $ Cdn./BBL		Natural gas Reference price $ Cdn./GJ	
	1995	1994	1995	1994
1995	21.76	23.44	1.36	2.14
1996	21.80	24.43	1.41	2.23
1997	22.35	25.17	1.56	2.33
1998	23.91	26.40	1.81	2.49
1999	25.22	27.64	2.01	2.64
2000	26.55	29.12	2.21	2.80
2001	27.67	30.26	2.42	2.97
2002	28.17	31.49	2.52	3.13

Operations

In 1995, production averaged 755 BOEPD compared to 498 in 1994. This 51.6 percent increase was a result of a full year's production on acquisitions made in 1994 and successful exploitation programs on these acquisitions.

Oil and natural gas liquids production was up 59 percent to 431 BOPD from 271 BOPD in 1994. Natural gas production increased 42.9 percent to average 3.2 MMCF/D versus 2.3 MMCF/D in 1994. Petroleum and natural gas liquids accounted for 57 percent of production in 1995 compared to 54.5 percent in 1994, while natural gas was 43 percent in 1995 versus 45.5 percent in 1994.

Financial

Operating income increased 22 percent as a result of higher production volumes. Increased production from new acquisitions and successful exploitation and development on the prior year's acquisitions more than offset the dramatic decline in natural gas prices.

Operating Income

Year ended September 30,	1995	1994	1993
Petroleum and Natural Gas Revenue	$ 5,024,987	$ 3,786,358	$ 748,776
Royalties	$ (461,617)	$ (255,576)	$ (39,121)
Production Expenses	$ (1,548,547)	$ (1,061,062)	$ (275,737)
Operating Income	$ 3,014,823	$ 2,469,720	$ 433,918
Sales Price per BOE	$ 18.23	$ 20.81	$ 22.38
Royalty per BOE	$ (1.67)	$ (1.40)	$ (1.17)
Operating Cost per BOE	$ (5.62)	$ (5.83)	$ (8.24)
Netback per BOE	$ 10.94	$ 13.58	$ 12.97

Petroleum and natural gas revenue increased 32.7 percent to $5,024,987 during 1995, due to higher production volumes and higher oil prices. The selling price of oil was $21.95 per barrel, up from $19.83 per barrel in 1994, while natural gas prices fell to $1.21 per MCF, compared to $1.87 per MCF in 1994. Because the low natural gas prices more than offset the higher oil prices, revenue per barrel of oil equivalent produced fell by 12.4 percent in 1995 to $18.23 per BOE from the previous year's $20.81 per BOE. As a result, natural gas accounted for just 29 percent of the total revenue in 1995, compared to 45 percent in 1994, while crude oil accounted for 71 percent of revenues, up from 55 percent in 1994.

The average royalty rate was higher in 1995 reflecting new acquisitions and expiry of the royalty-free period on some of the Company's wells. Oil royalties averaged $2.91 per barrel or 13.25 percent of the average selling price in 1995, compared to $1.32 per barrel and 6.7 percent in 1994. Natural gas royalties averaged $0.11 per MCF or 9.0 percent of the average selling price in 1995 versus $0.15 per MCF and 8.0 percent of the selling price in the previous year.

Average operating costs on a barrel of oil equivalent produced dropped marginally in 1995. However, as a result of continued cost control programs and higher production per well, operating costs for 1995 oil production were down 34.2 percent at $4.36 per barrel versus $6.63 per barrel in 1994. On the other hand, natural gas operating costs rose 40.8 percent to $0.69 per MCF, from $0.49 per MCF in 1994, as a result of reduced throughput at the Company's gas processing facilities and lower production per well.

The netback received, per barrel of oil equivalent produced, decreased by 19.4 percent to $10.94 per BOE in 1995 from $13.58 per BOE in 1994. Higher oil prices and lower operating costs in 1995 boosted the year's netback for oil by 25 percent to $14.68 per barrel from $11.73 in 1994. Conversely, low prices and higher operating costs reduced the netback for natural gas by $0.82 to $0.41 per MCF in 1995 from $1.23 per MCF in 1994, a 66.6 percent drop.

General and Administrative Expenses

Gross general and administrative (G & A) expenses rose 116 percent to $567,237 as a result of the additional personnel and work required to manage the day-to-day business of an operating company. Higher levels of operating and capital activity increased operator's recovery of overhead by 186 percent to $309,146 from $111,784. Net G & A expenses increased 72 percent to $258,091 from $150,376. On a barrel of oil equivalent basis, the gross G & A expenses rose 43 percent to $2.06 per BOE from $1.44 per BOE in 1994, while net G & A expenses were 13 percent higher at $0.94 per BOE compared to $0.83 per BOE.

Year ended September 30,	1995	1994	1993
Gross G & A Expenses	$ 567,237	$ 262,154	$ 64,191
Operating Overhead Recovery	$ (100,796)	$ (38,659)	$ –
Capitalized Overhead	$ (208,350)	$ (73,125)	$ (14,320)
Net G & A Expenses	$ 258,091	$ 150,370	49,871
Average Cost per BOE- Gross	$ 2.06	$ 1.44	$ 1.92
Net	$ 0.94	$ 0.83	$ 1.49

Interest and Financial Expenses

Interest and financial expenses rose 70.7 percent in 1995 as a result of a full year's interest on a credit line of $3.5 million and interest accrued on two major acquisitions. However, in 1995, average interest and financial costs based on per barrel of oil equivalent produced was up only 12.4 percent at $1.36 per BOE versus $1.21 per BOE in 1994. Interest and financial expenses were 12.5 percent of operating income in 1995, compared to 8.9 percent in 1994.

Year ended September 30,	1995	1994	1993
Interest and Financial Expenses	$ 375,185	$ 219,789	$ 108,820
Percent of Operating Income	12.5%	8.9%	25.0%
Average Cost per BOE	$ 1.36	$ 1.21	$ 3.25
Debt Outstanding at Year End	$ 3,215,472	$ 2,016,023	$ 2,386,835

Depletion, Depreciation and Site Restoration

Depletion, depreciation and site restoration expenses increased in 1995 in relation to the growth in production volumes. On a barrel of oil equivalent production basis the expenses were up 9 percent, for two main reasons: reduced reserves resulting from low prices incorporated in the reserve valuation and higher production volumes.

Year ended September 30,	1995	1994	1993
Depletion and Depreciation	$ 1,639,504	$ 986,784	$ 199,620
Site Restoration	$ 95,920	$ 63,980	$ 4,220
Total	$ 1,735,424	$ 1,050,764	$ 203,840
Average Cost per BOE	$ 6.30	$ 5.78	$ 6.09

Depletion and depreciation expense is an accounting measure of our finding and onstream costs and is calculated using the ratio of capital costs to proven reserves. Capital costs include the net book value of historical costs incurred and estimated future expenditures to develop the proven reserves, less the estimated net realizable value of production equipment and facilities after the proven reserves are fully developed.

Site restoration expense is the provision for the estimated future costs to abandon and reclaim producing or previously producing wells and facilities. The current year provision of $95,920 is based on the ratio of 1995 production volumes to proven reserves. This is a 50 percent increase over the 1994 provision and is attributed to an increase in wells and facilities.

Deferred Income Tax

Our provision for income tax in 1995 was $202,154 as compared to $223,433 in 1994. Tax pools for income tax purposes totalled $12,916,479 at September 30, 1995. The Company's effective tax rate increased to 31.2 percent in 1995 from 21.3 percent in 1994. This resulted from the treatment of royalties. In 1995, our royalties paid increased as the royalty-free period on certain wells expired. Also, we have not recorded the benefit of the Alberta Royalty Tax Credit on certain royalty payments. In 1994, we recorded the benefit of the Alberta Royalty Tax Credit on certain royalties which the provincial government has reassessed us on. We have filed a Notice of Objection with the government and are currently waiting to resolve this issue.

Cash Flow and Net Income

Cash flow from operations in 1995 increased to $2,410,548 from the previous year's $2,128,561, while net income after tax declined to $443,969 from $825,364 in 1994. The gain in cash flow resulted from higher production volumes, while the lower net income was primarily a result of depressed prices for natural gas.

On a barrel of oil equivalent produced, basic cash flow and net income were down $2.95 per BOE and $2.93 per BOE respectively. Although marginally offset by slightly higher oil prices, the depressed natural gas price was the prevailing reason for the decreases in both cash flow and net income.

Year ended September 30,	1995	1994	1993
Cash Flow from Operations	$ 2,410,548	$ 2,128,561	$ 275,226
per share	$ 0.187	$ 0.200	$ 0.075
average per BOE	$ 8.75	$ 11.70	$ 8.22
Net Income After Tax	$ 443,969	$ 825,364	$ 66,300
per share	$ 0.037	$ 0.078	$ 0.018
average per BOE	$ 1.61	$ 4.54	$ 1.98

Liquidity and Capital Reserves

For the fiscal year ended September 30,1995, the Company spent approximately $7.5 million on acquisitions and further development of its oil and natural gas properties. These expenditures were financed from cash flow ($2.4 million) and bank debt ($5.1 million).

At September 30, 1995 the Company had a working capital deficit amounting to $4.5 million which was refinanced in the first week of October. The bank loan of $3.2 million was increased to $7.9 million prior to year end. An equity issue was completed in November, 1995 netting proceeds of $500,000.

The equity placement and cash flow will be used to finance $2,500,000 of capital expenditures in 1996. The balance of cash flow will be used to reduce bank debt. When markets improve, the Company intends to replace debt with an equity financing. The Company maintains a flexible budget to cancel projects if economics change or to take advantage of opportunities. Funding for extraordinary expenditures is available through a combination of equity and bank financing.

Business Risks

The oil and gas industry is subject to risk in the finding and developing of reserves, as well as the commodity price received for such reserves. Vintage attempts to mitigate these business risks by:

- Having assets in several diverse fields;
- Maintaining cost-efficient operations;
- Maintaining a balance between oil and natural gas properties;
- Being operator to control amount and timing of capital expenditures;
- Using new technology to maximize production and recoveries and to reduce operating costs;
- Restricting operations to Central and Southern Alberta where areas are accessible; operating and capital costs are reasonable and onstream time is shorter;
- Drilling wells in areas with multiple high deliverability zone potential;
- Access to production infrastructure to bring production on quickly and efficiently.

Outlook

A full year of production from the 1995 acquisitions and higher production resulting from the Company's ongoing capital expenditure program, will increase production volumes in 1996. With improved pricing and lower production costs for natural gas, the netback per barrel of oil equivalent of $10.94 per BOE achieved in 1995 will be higher. The combination of higher production volumes and higher netbacks should translate into a significant increase in operating income in 1996.

We believe that there will be no significant increases in general and administrative expenses on a barrel of oil equivalent produced basis nor in financing and interest costs. This will be reflected in higher cash flow per BOE than the $8.75 achieved in 1995. Similarly depletion, depreciation and site restoration is not expected to increase and consequently there should be an improvement in the net income of the Company.

The Company's forecasted 1996 cash flow of $5,000,000 is based on conservative pricing. A sensitivity analysis determined that a $0.10 per MCF in natural gas prices will raise cash flow by $0.01 per share, while a $1.00 increase in the WTI price of a barrel of crude oil will improve cash flow by $0.015 per share.

Management's Report

Management takes responsibility for the preparation of these financial statements in accordance with accounting principles generally accepted in Canada. The financial and operating information included in this report is consistent with the financial statements.

Management has a system of internal controls to ensure that all assets are safeguarded and that timely and relevant financial information is prepared and made available.

The Company's auditors, McRae Gladstone Gillies, have examined these financial statements in accordance with generally accepted accounting principles. Their report is included herein.

The Company's Audit Committee, which includes non-management directors of the Company, has reviewed these financial statements and has reported to the Board of Directors. These financial statements have been approved by the Board of Directors.

Lloyd D. Driscoll	**George E. Paulus**
President, Chairman	Chief Financial Officer
and Chief Executive Officer	and Secretary-Treasurer

Auditors' Report

To the Shareholders
Vintage Resources Corp.

We have audited the balance sheets of Vintage Resource Corp. as at September 30, 1995 and 1994 and the statements of income and retained earnings and changes in financial position for the years ended September 30, 1995 and 1994. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at September 30, 1995 and 1994 and the results of its operations and the changes in its financial position for the years ended September 30, 1995 and 1994 in accordance with generally accepted accounting principles.

Calgary, Alberta
January 11, 1996

McRae Gladstone Gillies
Chartered Accountants

BALANCE SHEETS

Vintage Resource Corp.

ASSETS

AS AT SEPTEMBER 30,	1995	1994
Current		
Cash and short term deposits	$ 346,665	$ 2,589
Accounts receivable	873,412	636,705
Deposits	112,587	90,718
	1,332,664	730,012
Fixed (note 3)	13,962,434	8,078,177
Deferred finance charges	74,500	103,501
	$ 15,369,598	$ 8,911,690

LIABILITIES

AS AT SEPTEMBER 30,	1995	1994
Current		
Accounts payable and accrued liabilities	$ 1,476,126	$ 1,711,058
Agreement payable (note 4)	4,038,666	–
Deposits payable (note 11)	313,600	–
	5,828,392	1,711,058
Bank loan (note 5)	3,215,472	2,016,203
Deferred site restoration (note 2)	157,442	64,862
Deferred income taxes (note 2)	430,671	228,517
	9,631,977	4,020,640
SHAREHOLDERS' EQUITY		
Share capital (note 6)	4,401,988	3,999,386
Retained earnings	1,335,633	891,664
	5,737,621	4,891,050
	$ 15,369,598	$ 8,911,690

Approved on behalf of the board

Gerry Faulus

Director

G.H. Funke

Director

STATEMENT OF INCOME & RETAINED EARNINGS

YEARS ENDED SEPTEMBER 30,	1995	1994
Revenue		
Oil and gas revenue	$ 5,024,987	$ 3,786,358
Less: Royalties	461,617	255,576
	4,563,370	3,530,782
Expenses		
Production and operating	1,548,547	1,061,062
Long-term interest and finance costs	375,185	219,789
General and administrative	258,091	150,370
Site restoration and abandonment	95,920	63,980
Depletion and depreciation	1,639,504	986,784
	3,917,247	2,481,985
Income before income taxes	646,123	1,048,797
Provision for income taxes	202,154	223,433
Net income (note 7)	443,969	825,364
Retained earnings, beginning of year	891,664	66,300
Retained earnings, end of year	$ 1,335,633	$ 891,664

STATEMENTS OF CHANGE IN FINANCIAL POSITION

YEARS ENDED SEPTEMBER 30,	1995	1994
Operating activities		
Net income	$ 443,969	$ 825,364
Non-cash items		
Depreciation and depletion	1,639,504	986,784
Site restoration and abandonment	95,920	63,980
Deferred income taxes	202,154	223,433
Deferred finance costs	29,001	29,000
	2,410,548	2,128,561
Changes in non-cash working capital items	(496,848)	1,107,940
	1,913,700	3,236,501
Financing activities		
Agreement payable	4,038,666	(1,894,161)
Note payable	–	(15,000)
Advances from shareholders	–	(304,095)
Issuance of share capital	403,425	3,334,675
Share issue costs	(823)	(288,977)
Deferred finance charges	–	(55,001)
Bank loan	1,199,269	(66,537)
Deposits payable	313,600	–
	5,954,137	710,904
Investing activities		
Additions to oil and gas properties and equipment	(7,503,027)	(3,922,857)
Additions to office equipment	(20,734)	(24,568)
	(7,523,761)	(3,947,425)
Increase (decrease) in cash	344,076	(20)
Cash, beginning of year	2,589	2,609
Cash, end of year	$ 346,665	$ 2,589

FOR THE YEARS ENDED SEPTEMBER 30, 1995 AND 1994

1. NATURE OF BUSINESS

The company was incorporated under the Business Corporations Act (Alberta). The Company's business is the acquisition of petroleum and natural gas rights and the exploration for, development and production of, crude oil and natural gas. All activity is conducted in Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

a] Fixed assets

(i) Oil and Gas Properties

The company follows the full cost method of accounting whereby all costs of exploration for and development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenditures, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and overhead expenses related to exploration activities. All recoveries of costs through sale of petroleum and natural gas properties, drilling incentive credits and petroleum incentive payments are credited against the costs of oil and gas properties. Gains or losses are only recognized when a significant portion of the corporation's reserves are disposed of.

Costs are amortized using the unit of production method based upon proven developed reserves derived from reports prepared by independent consultants and by management.

Oil and natural gas reserves are converted into equivalent units based upon estimated relative energy content.

In applying the full cost method, the company calculates a cost centre ceiling which restricts the capitalized costs less accumulated depletion and amortization from exceeding an amount equal to the estimated future net revenues from proven reserves (after adjusting for estimated future general and administration costs and corporate income taxes, if any) plus the lower of cost and estimated fair value of the Corporation's undeveloped acreage.

(ii) Oil and gas equipment

Oil and gas equipment is recorded at cost and is depreciated using the unit of production method over the estimated useful life of the reserves.

(iii) Office equipment

Office equipment is recorded at cost and depreciation is provided using the straight-line method over the estimated useful life not exceeding five years.

b] Joint Venture

Substantially all the exploration and development activities related to oil and gas are conducted jointly with others. These financial statements reflect only the company's proportionate interest in such activities.

c] Deferred Income Taxes

The company records income taxes on the tax allocation basis. Deferred income taxes result primarily from claiming exploration and development costs and capital cost allowance for income tax purposes in excess of the related depletion and depreciation recorded in the financial statements.

d] Deferred site restoration

A provision is established for estimated future costs of site restoration of and oil and gas production interests, including the removal of production facilities at the end of their useful life. Costs are based on management's estimates of the anticipated method and extent of site restoration. The annual charge is determined on the same basis as the depletion and amortization of the underlying asset.

3. FIXED ASSETS

Fixed assets are comprised of the following at September 30:	1995	1994
Oil and gas properties	$ 14,549,684	$ 8,435,854
Oil and gas equipment	2,193,356	804,159
	16,743,040	9,240,013
Less: accumulated depletion	2,811,355	1,181,355
	13,931,685	8,058,658
Office equipment	45,302	24,568
Less: accumulated depreciation	14,553	5,049
	30,749	19,519
	$ 13,962,434	$ 8,078,177

General and administrative expenses of $208,350 (1994 - $73,125) have been capitalized to oil and gas properties.

4. AGREEMENT PAYABLE

The company acquired an interest in an oil and gas property on August 1, 1995 and the purchase price of $4,038,666 was outstanding as at September 30, 1995. This amount was paid in full on October 4, 1995 by utilizing the authorized bank loans described in Note 5 (a) and (b).

5. BANK LOAN

The company has the following authorized and utilized lines of credit with a Canadian chartered bank as at September 30, 1995:

a] A revolving reducing term loan in the authorized amount of $5,500,000 of which $3,215,472 has been utilized at September 30, 1995. The line of credit will be reduced at the rate of $100,000 per month commencing October, 1995. Interest is calculated at the bank's prime rate plus 3/4%.

b] A non-revolving reducing term loan in the authorized amount of $2,400,000 of which no amount had been utilized as at September 30, 1995. The loan reduces at the rate of $100,000 per month commencing October 31, 1995. Interest is calculated at the bank's prime rate plus 1%.

c) A demand development loan in the authorized amount of $1,000,000, of which no amount had been utilized as at September 30, 1995. The loan is due in full by October 31, 1996. Interest is calculated at the bank's prime rate plus 1 1/2%.

Security is provided by a registered first floating charge debenture for $10,000,000 over all assets of the company.

6. SHARE CAPITAL

a) Authorized
Unlimited number of common shares.

b) Issued

	1995		1994	
	Number of Shares	$	Number of Shares	$
Balance, beginning of year	12,603,474	4,415,775	6,552,555	1,081,100
Shares issued for cash	–	–	5,454,545	3,000,000
Options exercised for cash	295,000	162,250	105,000	57,750
Shares issued for services	401,959	241,175	491,374	276,925
	13,300,433	4,819,200	12,603,474	4,415,775
Cumulative share issue costs	–	417,212	–	416,389
	13,300,433	4,401,988	12,603,474	3,999,386

c) Stock options
The company has reserved for issuance to directors and officers of the company stock options as follows:

Issue Date	# of Shares	Exercise Price	Expiry Date
June 18, 1993	655,000	0.50	April 30, 1998
March 1, 1994	450,000	0.55	March 1, 1999

7. EARNINGS PER SHARE

Earnings per share have been calculated using the weighted monthly average number of shares outstanding of 12,899,382 (1994 - 10,604,126) during the year.

	1995	1994
Earnings per share	$ .037	$ .077

8. INCOME TAXES

The company's income tax rate is determined as follows:

	1995	1994
Combined Canadian federal and provincial income tax rate	44.3%	44.3%
Increase (decrease) in income taxes resulting from:		
Federal resource allowance	(39.7)	(22.4)
Alberta Royalty Tax Credit	(8.7)	(6.7)
Non-deductible crown royalties and lease	34.2	8.6
Share issuance costs	(5.7)	(3.5)
Other	6.8	1.0
	31.2%	21.3%

As at September 30, 1995, the following deductions were available for income tax purposes:

	Amount	Maximum Annual Rate of Claim
Canadian exploration expenses	$ 1,746,184	100%
Canadian development expenses	935,376	30%
Canadian oil and gas property expenses	8,575,936	10%
Undepreciated capital cost	1,658,983	20-30%
	$ 12,916,479	

9. RELATED PARTY TRANSACTIONS

During the year, the company paid cash management fees of $110,000 to companies controlled by officers of the company. In addition, these same companies received a bonus of 183,333 common shares with an attributed value of $110,000.

The company paid cash management fees of $30,000 to a director. The director also received a bonus of 50,000 common shares with an attributed value of $30,000.

The management fees have been recorded in the accounts as follows:

	1995	1994
Oil and gas properties	155,000	97,500
General and administrative expenses	125,000	48,752
	$ 280,000	$ 146,250

10. CONTINGENT LIABILITY

In June 1995, the company received notices of reassessment for the 1993 and 1994 taxation years in the amount of $16,709 and $155,835 respectively. The provincial tax authorities have disallowed certain royalty payments for the purpose of calculating the Alberta Royalty Tax Credit.

The company has filed notices of objection to these reassessments. No payments have been made by the company to date, nor has any provision been made for the payment of these reassessments, and management believes that none is required.

Should the reassessments be upheld, the tax and related costs would be charged to retained earnings as a prior period adjustment.

11. SUBSEQUENT EVENT

In November, 1995, the company completed a flow-through share offering of 838,000 common shares for a total consideration of $502,800. Under the provisions of the flow-through share issue, oil and gas exploration expenses normally deductible for income tax purposes have been renounced in favour of the purchaser of the shares. As at September 30, 1995, the company had received $313,600 as deposits on the flow-through issue.

COMPANY HISTORICAL REVIEW

Financial Highlights

Year ended September 30,	1995	1994	1993
Net Revenue	$ 5,024,987	$ 3,786,358	$ 748,776
Net Revenue per Share	$ 0.390	$ 0.357	$ 0.114
Operating Income	$ 3,014,823	$ 2,469,720	$ 433,918
Operating Income per Share	$ 0.234	$ 0.233	$ 0.066
Cash Flow From Operations	$ 2,410,548	$ 2,128,561	$ 275,226
Cash Flow per Share	$ 0.187	$ 0.200	$ 0.075
Net Income	$ 443,969	$ 825,364	$ 66,300
Net Income per Share	$ 0.037	$ 0.078	$ 0.018
Capital Expenditures	$ 7,503,027	$ 3,922,857	$ 5,317,156
Total Assets	$ 15,369,598	$ 8,911,690	$ 5,513,890
Long Term Debt	$ 3,215,472	$ 2,016,203	$ 2,082,740
Shareholders' Equity	$ 5,737,621	$ 4,891,050	$ 1,019,988

Operations Highlights

Year ended September 30,	1995	1994	1993
Oil and NGL Production (BBLS)	157,243	99,103	10,526
Average Daily Oil and NGL Production (BBLS)	431	271	69
Natural Gas Production (MCF)	1,183,723	628,232	229,213
Average Daily Natural Gas Production (MCF)	3,243	2,269	1,498
Total Average Daily Production (BOE)	755	498	219
Average Sale Price per BOE	$ 18.23	$ 20.81	$ 22.38
Average Cash Flow per BOE	$ 8.75	$ 11.70	$ 8.22
Average Operating Cost per BOE	$ 5.62	$ 5.83	$ 8.24
Average Netback per BOE	$ 10.94	$ 13.58	$ 12.97

As of September 30,	1995	1994	1993
Daily Oil and NGL Production (BBLS)	736	374	118
Daily Natural Gas Production (MCF)	3,637	3,228	1,600
Total Daily Production (BOE)	1,100	697	278
Proven and Probable Oil & NGL Reserves (MBBLS)	1,763	1,322	1,400
Proven and Probable Natural Gas Reserves (MMCF)	14,880	12,370	4,130

Corporate Information

Head Office

Vintage Resource Corp.
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Board of Directors

Llloyd D. Driscoll
George H. Funke
Peter R. Kutney
George E. Paulus

Officers

Lloyd D. Driscoll
President and Chief Executive Officer

George E. Paulus
Secretary - Treasurer
Chief Financial Officer

Auditors

McRae Gladstone Gilllies
Chartered Accountants
Calgary, Alberta

Solicitors

Blake Cassels Graydon
Barristers & Solicitors
Calgary, Alberta

Bankers

National Bank of Canada
Calgary, Alberta

Transfer Agent and Registrar

Montreal Trust Company of Canada
Calgary, Alberta

Stock Exchange Listing

The Alberta Stock Exchange
Symbol: "VRU"

Abbreviations

BBLS:	barrels
MBBLS:	thousand barrels
BCF:	billion cubic feet
BOE:	barrels of oil equivalent 10 MCF = 1 barrel of oil
BOPD:	barrels of oil per day
MCF:	thousand cubic feet
MMCF:	million cubic feet
/D:	per day
GJ:	giga joule
CDN:	canadian dollar

Annual Meeting

The annual general meeting of shareholders will be held on Thursday, March 21, 1996, at 3:00 p.m. in the auditorium,
Bankers Hall, Lower Level
315 - 8th Avenue S.W.
Calgary, Alberta.

Designed by The Merlin Creative Group Inc.

Vintage Resource Corp.

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840 - Seventh Avenue S.W.

Calgary, Alberta

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